Solutia Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from Daniel Caruzo [ph] of Hayden Capital [ph]. Please proceed.

Daniel Caruzo – Hayden Capital

Hi, good morning. Great quarter.

Jeff Quinn

Thank you.

Daniel Caruzo – Hayden Capital

And good news on the delay in the security demand holiday, very happy to hear that. I guess these questions are for Jim. Your adjusted EBITDA was $118 million for the quarter and $206 million for the six months through June. On the last conference call you said that a good guide would be that 45% of adjusted EBITDA would hit in the first half of the year. So on that basis, we'd get to a single-point full-year adjusted EBITDA figure of $458 million for '08. Even if I only assume that third and fourth quarter EBITDA equals second quarter figures, even though you continue to book good sales growth, I could assume more aggressive than that, I still would get to $442 million of adjusted EBITDA. Is it possible that your newly increased range of adjusted EBITDA guidance of $400 million to $425 million is in fact a little bit on the conservative side?

Jim Sullivan

Daniel, the way I would answer that is we – our guidance is $400 million to $425 million. When we gave that split first half, second half, 45/55, a lot of that was driven by the raw material profile that we were experiencing and kind of what we expected. We have updated that. In addition, I would say that we had a really strong second quarter and we brought in a fair amount of the incremental earnings in the second quarter. You know, I think it is prudent for us to just stick to what we talked about in the presentation at $400 million to $425 million. But again, that is with very little expected from our nylon business.

Daniel Caruzo – Hayden Capital

Okay. Terrific. If I might follow up, what do you expect for the September quarter in terms of adjusted EBITDA relative to June's 118? I see you continue to put through significant price increases, and I am happy to see every one of those that comes through. They seem to be countering raw material and energy cost increases, and a lot of what you did in the second quarter, it really has a full quarter impact in the September quarter and only a partial impact in the June quarter. So I would assume that if you'd be able to book EBITDA, adjusted EBITDA in the September quarter that is about equal to June or maybe even better, is that a reasonable assumption?